



Acquisition Reporting Overview & Unit Cost Reporting/ Nunn-McCurdy Breaches

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Acquisition Reports/Documents & Software Tool

- **Acquisition Program Baseline (APB)**
- **Selected Acquisition Reports (SAR)**
- **Defense Acquisition Executive Summary (DAES)**
- **Unit Cost Reports (UCR)**

- **Consolidated Acquisition Reporting System (CARS)**

Acquisition Program Baseline (APB)

- **APB documents Cost, Schedule and Performance**
- **Provides reference point for measuring program status**
- **Establishes the PM's trade space**
 - ◆ What does the system do?
 - ◆ When do critical events occur?
 - ◆ How much will it cost?
- **Required for all acquisition programs**
 - ◆ "Baseline description" discussed in Title 10, United States Code, Section 2435 (10 U.S.C. 2435)

APB History

- **Components had baselining system in place prior to DoD standardization**
- **Packard Commission recommended DoD “fully institutionalize” baselining to improve stability**
- **Beginning in 1986, Title 10 has mandated baselining**
- **DoD 5000.2 directs baseline reporting**

APB

Title 10 Requirements

- **All ACAT I programs must have APBs**
- **No funds to be obligated after EMD (now SDD) for ACAT I programs until APB approved; USD(AT&L) waiver possible**
- **APB must be prepared before PDRR, EMD (now SDD) or Production**
- **SecDef must prescribe regulations governing:**
 - ◆ **Baseline contents**
 - ◆ **Submission of reports of baseline deviations**
 - ◆ **Procedures to review deviations**
 - ◆ **Procedures for submission of revised baselines**

APB

DoD 5000 Guidance

- **APB content**
- **Current APB estimates reported quarterly via DAES**
- **Deviation procedure:**
 - ◆ **PM required to immediately notify Milestone Decision Authority (MDA)**
 - ◆ **Within 30 days - PM notifies MDA of reason for breach**
 - ◆ **Within 90 days, one of the following should occur:**
 - **Program back within APB parameters**
 - **New APB approved**
 - **OIPT-level review to examine proposed baseline**
 - **If one of the above has not happened within 90 days, MDA shall require program review to determine status**

All acquisition programs must have an APB

APB Content

- **Performance**
 - ◆ **Minimum number of parameters required to characterize major drivers of operational effectiveness and suitability**
- **Schedule**
 - ◆ **Program initiation, major milestone decision points, IOC and other critical events**
- **Cost**
 - ◆ **RDT&E, Procurement, MILCON, total quantity, average procurement unit cost, program acquisition unit cost, and any MDA cost objective**

APB

Default Thresholds & Baseline Deviations

- **Default Thresholds**

- ◆ **Performance - Same as objective values**
- ◆ **Schedule - 6 months after objective dates**
- ◆ **Cost - 10% above objective values**

- **Baseline Deviations**

- ◆ **Notification Occurs Via:**
 - **Program Deviation Report**
 - **DAES**
 - **SAR**
 - **IPT process**

Selected Acquisition Reports (SAR)

- **Provides Congress with Cost, Schedule, and Performance (technical) status on Major Defense Acquisition Programs (MDAPs)**
- **Content is prescribed by law - Title 10, United States Code, Section 2432**

Other Purposes for SARs

- **Cost and schedule metrics for major programs**
- **Extensive data base to support analyses by DoD and government-sponsored contracts**
- **Helps DoD explain program changes to the Congress, press, and public**
- **Reports Nunn-McCurdy unit cost breaches (pursuant to 10 U.S.C. 2433)**

Not a decision or management document

Is a “snapshot” in time

SAR History

- 1967 - DoD initiated the SAR to summarize cost, schedule and technical information**
- 1969 - Congress requested periodic status reports on DoD major programs**
- 1975 - FY 1976/7T Authorization Act established SAR as legal reporting document**
- 1989 - Nunn-McCurdy requirement consolidated into the DAES and SAR**
- 1990 - CARS released for SAR preparation**
- 1996 - Negotiated with Congress to streamline SAR**
- 1997 - Historical SARs available on CD-ROM**

SAR

Applicability

- **All Major Defense Acquisition Programs (MDAPs) defined pursuant to Title 10, USC, Section 2430**
 - ◆ **Total Estimated Cost**

RDT&E Funds

FY00 Constant Dollars: \$365M

Procurement Funds

FY00 Constant Dollars: \$2.19B

- ◆ **USD(AT&L) Designated (High Interest)**
- ◆ **Excludes Highly Sensitive Classified Programs**

SAR

Submission Requirements

- **Annual SAR (as of December 31)**
 - **Mandatory for all reporting programs**
 - **Due 60 days after the President's Budget**
- **Quarterly Exception SARs (as of March 31, June 30 and September 30)**
 - **Nunn McCurdy unit cost breach**
 - **Schedule delay of 6 months or more**
 - **SAR rebaseline at major milestone**
 - **Initial or final SAR**
 - **Due 45 days after the end of the quarter**

SAR

Reporting Content

- **Content of SAR prescribed by law**
- **DoD must notify Armed Services Committees of changes**
- **There are 19 sections in a SAR, 18 of which are forwarded to the Congress**
 - ◆ **Section 19, Cost-Quantity Information, is for internal DoD use only (quantity variances)**

METRICS

Secretary of Defense Level Metrics:

- 1. Development Acquisition Cycle Time (Government Performance Results Act (GPRA) Metric)**
- 2. Annual Rate of Acquisition Cost Growth (GPRA Metric)**
- 3. Annual Rate of O&S Cost Growth (New Metric)**
- 4. Logistics Response Time (GPRA Metric) / 4a. Customer Wait Time (New Metric)**
- 5. Time-as-an Independent Variable (New Metric)**
- 6. Cost-as-an Independent Variable / Spiral Development (New Metric)**

AT&L Level Metrics:

- 7. Total Acquisition Cycle Time (New Metric)**
- 8. Average O&S Cost for Replacement Systems (New Metric)**
- 9. Reduction in O&S Costs for Fielded Systems (Existing R-TOC Metric)**
- 10. Reduction in Infrastructure Costs (Added Metric)**
- 11. Performance Based Services Contracting (Procurement Executives' Council(PEC)/OMB)**
- 12. Public-Private Sector Competitions (New Metric)**

Information Available in Other Processes:

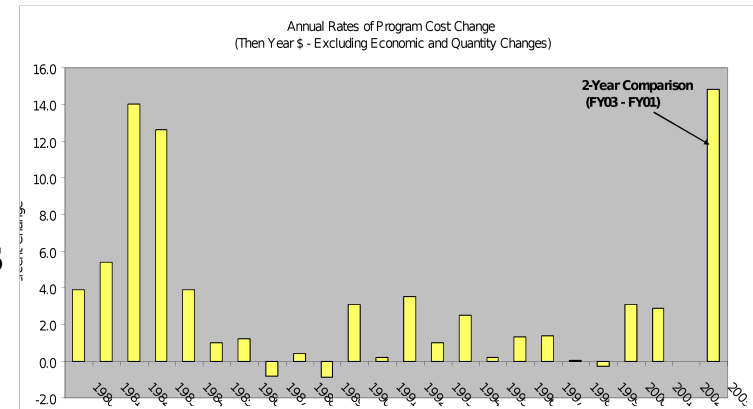
- 13. Acquisition Program Baseline (APB) Breaches (New Metric)**
- 14. Average Contract Cost Growth (New Metric)**
- 15. Defense Acquisition Executive Summary (DAES) Program Status (New Metric)**
- 16. Defense Warfighters Customer Satisfaction Index (Existing Metric)**
- 17. Defense Suppliers Customer Satisfaction Index (Existing Metric)**

Annual Rate of Acquisition Cost Growth (ARAC) Logistics Support Process

Metric)

- **Metric:**
 - Acquisition cost change from the prior year to the current year budget, divided by the total program acquisition costs for the prior year budget (expressed as a percentage)
 - Adjustments made for inflation and quantity
- **Population:** All MDAPs reporting in SARs that are common to current and prior year budgets (dollar-weighted average)
- **Frequency:** Tri-annual (President's Budget (PB), POM, BES)
- **Office of Primary Responsibility:** AR&A
- **Data Availability:** SAR data in CARS
- **Cost to Automate Data:** **Low** (Pres Budget is automated, POM and BES projection in process of being automated)

NOTES: 1) Metric data calculated for each Service & BMDO (dollar-weighted average)
2) Currently, issue for PPBS Summer Review: need consideration in POM build



NOTE: Due to the lack of an FY 2002 President's budget with total program funding, the Department was unable to calculate cost growth last year.

Metric Goal:
By the end of FY03, a concrete trend toward average DoD 0% per year is identifiable

MDAP Cost Growth Metric

Consistent Year-to Year Data Set

- The SAR MDAPs common to the current and prior President's Budgets

For example, for data point 2003, the common MDAPs are those reporting in both FY03 PB and the FY02 PB

FY 03 PB programs	A	B	C	D	
FY 02 PB programs		B	C	D	E

NOTE: The common set of MDAPs changes over time

MDAP Cost Growth Metric

- Includes SAR cost change categories of Schedule, Engineering, Estimating, Support, and Other, but excludes Economic and Quantity changes (as well as any quantity-related portions of the change categories).
- Annual cost change is then divided by the total Current Estimate of the common programs as of the start of the year. For example,

$$\text{Data Point}_{01} = [(V_{\text{Sched}} + V_{\text{Engr}} + V_{\text{Est}} + V_{\text{Spt}} + V_{\text{Other}}) / CE_{00}] \times 100$$

where V_{Sched} = SAR Schedule variance between PB 2002 and PB 2003

V_{Engr} = SAR Engineering variance between PB 2002 and PB 2003

V_{Est} = SAR Estimating variance between PB 2002 and PB 2003

V_{Spt} = SAR Support variance between PB 2002 and PB 2003

V_{Other} = SAR Other variance between PB 2002 and PB 2003

CE_{00} = Current Estimate as of PB 2002 of all common MDAPs

MDAP Cost Growth Metric

Example: FY03 Projection

- Cost metric actuals were trailing indicators
- DoD now calculating PPBS projections to manage metric:

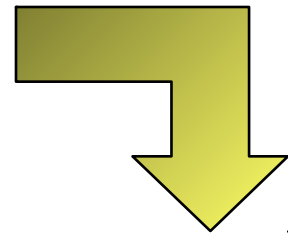
POM 03 Program Funding - PB 02 Program
Funding

Metric Captures:

- Cost increases generated by:
 - Revised cost estimates
 - Unplanned scope changes
 - Program stretches
 - Plus several other factors

Subsequent Adjustments:

- Changes in procurement quantities
 - Associated spares



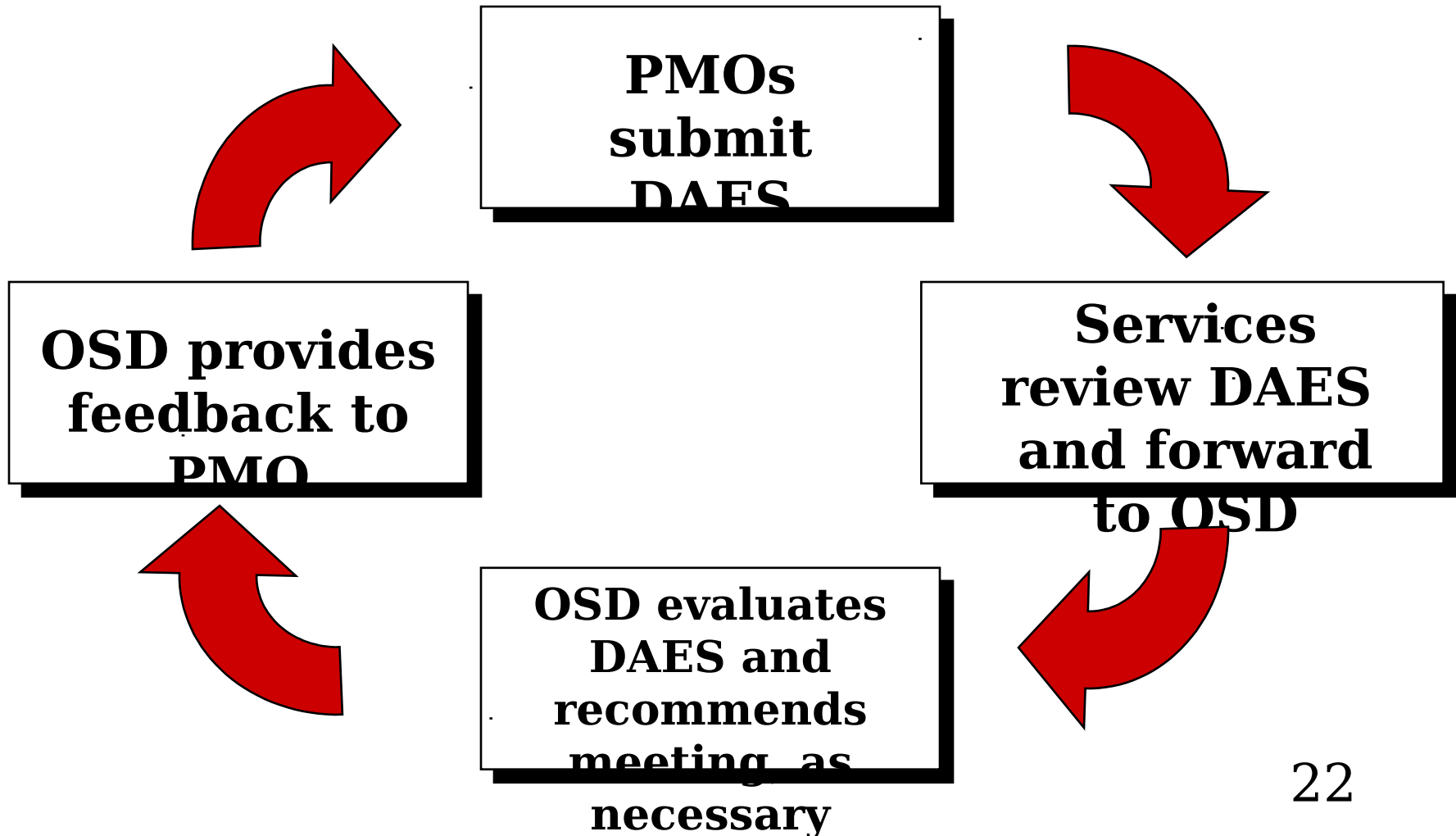
Defense Acquisition Executive Summary (DAES)

- **Management information/update process**
 - ◆ Monthly DAES meeting
- **Quarterly reports from Program Managers**
 - ◆ One third of programs report each month
- **Program execution status against APB**
 - ◆ Cost, schedule, and performance goals

Why have DAES ?

- **Provide information to DoD acquisition officials as early as possible on:**
 - **Program execution status against the Acquisition Program Baseline**
 - **Cost, Schedule, and Performance Goals.**
 - **Potential problems**
 - **Impacts of policy decisions**
- **Improve communications throughout the acquisition chain of command**

DAES Process



DAES Report

<u>SECTION #</u>	<u>TITLE</u>
1	Cover Sheet
2	Executive Summary
3	Assessments
4	PEO & SAE Comments
5	Approved Program Data
6	Program Background Data
7	Supplemental Contract Cost
8	Info.
	Annual POM/BES Funding Summary

OSD Staff Assessments

Program Assessment Indicators

Primary Organization *

Performance
Test & Evaluation
Logistics Reqts & Readiness
Cost
Funding
Schedule
Contracts
Production
Management Structure
Interoperability

Strategic & Tactical Systems (S&TS),
C3ISR&Space
OT&E, S&TS(DT&E)
ODUSD(L&MR), S&TS(DT&E),
AR&A (Acquisition Management)
Comptroller
Strategic & Tactical Systems, C3ISR&Space
Defense Procurement
Industrial Policy
Strategic & Tactical Systems, C3ISR&Space
Interoperability

* Other offices participate when they have some point they wish to add on the status of the program.

How does DoD report program status ?

	Selected Acquisition Report (SAR)	Defense Acquisition Executive Summary (DAES)
Type of Report	External, status report	Internal, management process
Legal Requirement	U.S.C., Title 10, Section 2432	No direct legal requirement
Submission Frequency	Annually, with quarterly exception reports	Quarterly
Perspective	Reflects official DoD position	Contains judgments/opinions
Unique Feature	Provides standard categorization of program cost changes	Feeds internal DoD management process
Report Preparation Tool	Consolidated Acquisition Reporting System (CARS)	Consolidated Acquisition Reporting System (CARS)

Consolidated Acquisition Reporting System (CARS)

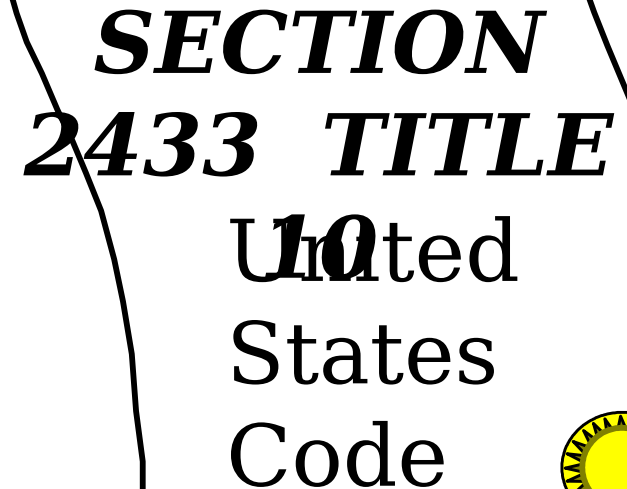
- **Program Management Offices use CARS for APB, SAR and DAES**
- **What is CARS ?**
 - ◆ **PC/Windows-Based Data Entry and Report Generation Software**
 - ◆ **Integrated APB, SAR & DAES Modules**
 - ◆ **Contract Analysis System (CAS) Produces Contract Cost Performance (I.e., Earned Value Management System) Charts from DAES data**
- **Required for all Major Defense Acquisition Programs (MDAPs)**

Unit Cost Reports (UCR)/ Nunn McCurdy

- **Why do Unit Cost Reporting?**
- **How does DoD implement UCR ?**
- **What is a Unit Cost Breach ?**
- **What happens if a Breach Occurs ?**
- **If a Certification is required, what is certified?**
- **Who certifies ?**
- **What is the timeline ?**
- **What if timeline is not met ?**

Why Do Unit Cost Reporting ?

- Required by Congress under Public Law - United States Code Title 10, Section 2433
- DoD uses as an oversight tool - especially for programs that have breaches
- Applicability - Post Milestone B (previously post Milestone II), Major Defense Acquisition Programs (MDAPs).
- MDAPs defined pursuant to Title 10, United States Code, Section 2430



***SECTION
2433 TITLE
10
United
States
Code***

How Does DoD Implement UCR ?

- **Guidance:**
See Defense Acquisition Deskbook website - <http://web1.deskbook.osd.mil>)
 - ◆ **Includes “Unit Cost Certification Questions”**
- **UCR Baseline is currently approved APB**
 - ◆ **Program Acquisition Unit Cost (PAUC)**
 - ◆ **Acquisition Procurement Unit Cost (APUC)**
- **Unit Cost Status Reported Quarterly In The Defense Acquisition Executive Summary (DAES)**
- **Unit Cost Breach Details Reported In The Selected Acquisition Report (SAR)**

Unit Cost Reported in the DAES

Part 6.2

Section 6 - Program Background Data

2. Unit Cost Report - (Dollars in Millions)

	UCR Baseline (Oct 1998 APB)	Current Estimate	Percent Change
a. Program Acquisition			
Unit Cost (PAUC)			
(1) Cost (1995 BY\$)	13116.6	13167.4	
(2) Quantity	181	182	
(3) Unit Cost	72.467	72.348	
-0.16			
b. Average Procurement			
Unit Cost (APUC)			
(1) Cost (1995 BY\$)	11738.6	11772.6	
(2) Quantity	181	181	
(3) Unit Cost	65.042	64.854	
-0.29			

Note: Unit cost reporting also requires APB schedule and performance status and contract cost and schedule variance information (DAES Parts 30

Unit Cost Reported in the SAR Section 12

12. Unit Cost Summary:

[Base Year Dollars In Millions]

	UCR Baseline <u>(OCT 1998 APB)</u>	Current Estimate <u>(Dec 1999 SAR)</u>	Percent
<u>Change</u>			
a. Prog. Acq. Unit Cost (PAUC)			
(1) Cost (FY 1995 BY\$)	13116.6	13227.4	
(2) Quantity	181	181	
(3) Unit Cost	72.467	73.080	
+0.85			
b. Avg. Proc. Unit Cost (APUC)			
(1) Cost (FY 1995 BY\$)	11772.6	11874.6	
(2) Quantity	181	181	
(3) Unit Cost	65.042	65.606	
+0.87			

Note: When there is a UCR breach, additional information is reported in an expansion to this section.

Program X

December 31, 2001 SAR

12. Unit Cost Summary: - Base Year Dollars in Millions

Percent	UCR Baseline	Current Estimate	
	<u>(May 2000 APB)</u>	<u>(Dec 2001 SAR)</u>	<u>Change</u>
a. Program Acquisition Unit Cost (PAUC)			
(1) Cost (FY1996 BY\$)	9018.6		12939.5
(2) Quantity	12	12	
(3) Unit Cost	751.55	1078.292	
	+43.48		
b. Avg. Procurement Unit Cost (APUC)			
(1) Cost (FY 1996 BY\$)	8925.9		12842.4
(2) Quantity	12	12	
(3) Unit Cost	743.825	1070.20	
	+43.88		

What Is A Unit Cost Breach ?

- **Unit Cost Breach Occurs When:**
 - ◆ **Program Acquisition Unit Cost (PAUC) Increases 15% or More**
 - ◆ **Average Procurement Unit Cost (APUC) Increases 15% or More**
- **Measured in Base-Year Dollars**
- **Based on Fact-of-Life and Reasonable Cause**

What Happens If A Breach Occurs ?

- **Reporting Process - PM To SAE To Service Secretary Who Makes “Determination”**
- **Unit Cost Breach of 15% or More Requires “Notification” To Congress and Submission of SAR (PAUC or APUC)**
- **Unit Cost Breach of 25% or More Requires SECDEF Certification to Congress**
- **Certification Delegated to USD(AT&L)**

What Are the Certification Requirements ?

- **Such Acquisition Program Is Essential to the National Security**
- **There Are No Alternatives to Such Acquisition Program Which Will Provide Equal or Greater Military Capability At Less Cost**
- **The New Estimates of the Program Acquisition Unit Cost or Procurement Unit Cost Are Reasonable**
- **The Management Structure For the Acquisition Program Is Adequate To Manage and Control Program Acquisition Unit Cost or Procurement Unit Cost**

Certification Package

- **Prepared by OUSD(AT&L)ARA/AM**
- **Package Includes**
 - ◆ **Action Memorandum to USD(AT&L)**
 - ◆ **Certification letter to Congress**
 - ◆ **Supporting Documentation**

What Happens If A Breach Occurs ?

- **Service Responsibilities**
 - ◆ **Notify the USD(AT&L) and Congress**
 - ◆ **Detailed information in SAR, section 12**
 - ◆ **If breach 25% breach, responses to “Unit Cost Certification Questions” outlined in the Defense Acquisition Deskbook**
- **OSD Responsibilities**
 - ◆ **Provide certification recommendations to the USD(AT&L)**

Recommendations

OSD

Organization(s)

- National security & coordination whether alternative Leader programs PA&E, in with OIPT (JCS - optional)
- New cost estimates are reasonable CAIG
- Management structure AT&L (DP, IP, ARA)

What Is Timeline For A Breach ?

- **Notification (15% or More Increase)**
 - ◆ **Due To Congress Within 45 Days After The End Of The Reporting Quarter**
 - ◆ **Must Contain Date Of “Determination”**
- **Certification (25% or More Increase)**
 - ◆ **Due 30 Days After Date SAR Required To Be Submitted**

USD(AT&L) Alternatives

- **Certify By Due Date**
- **Do not Certify By Due Date**

What If Timeline Not Met ?

- **Suspension Of Obligations**
 - ◆ **If Either SAR or Certification Not Submitted On Time**
 - ◆ **Suspension Shall Cease To Apply After 30 Days of Continuous Session of Congress (Starting From Date of Receipt Of SAR/Certification)**

FY 2002 Certification Process - Programs Requiring Certification

- **ARMY**
 - ◆ CH-47F
 - ◆ Chemical Demilitarization
 - ◆ MLRS Upgrade
- **NAVY**
 - ◆ H-1
 - ◆ LPD-17
- **AIR FORCE**
 - ◆ SBIRS - High

PROGRAM X

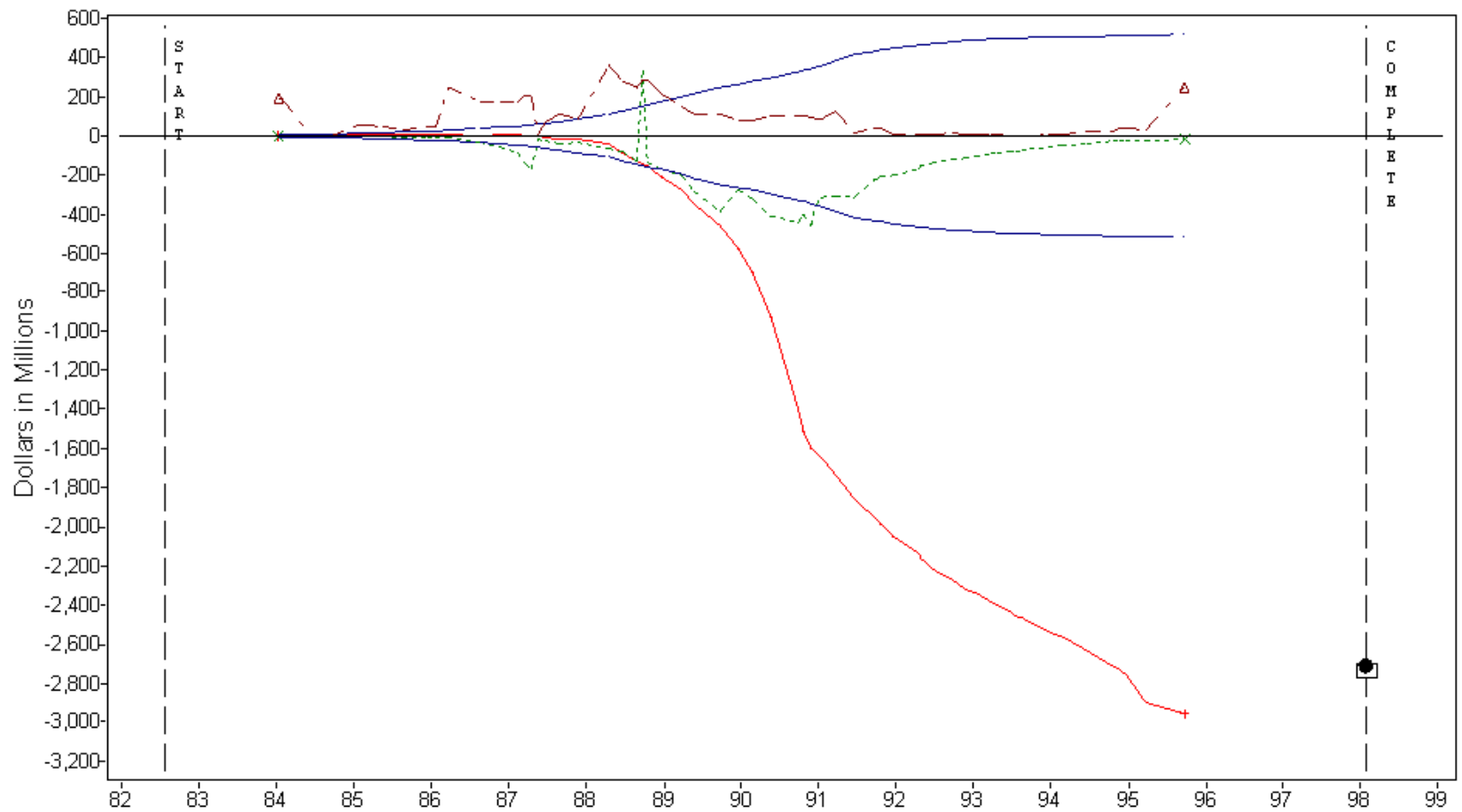
Program Picture

**EVM
Cost/Schedule Variance C**

**Mission and
Requirements**

Program Highlights

COST/SCHEDULE VARIANCE TRENDS



Cost Variance —+— -2957.4

Sched Variance - - - x - - - -17.4

Mgmt Reserve - - - Δ - - - 245.3

10% Thresholds — — — — —

Start/Comp Date — — — — —

Cost Var @ Completion

PM □ -2736.1

CONTR ● -2716.4

NOTIONAL NUNN-MCCURDY CERTIFICATION RISK ASSESSMENT

Program	Program Essential to National Security	No Alternatives w/ = or > Military Capability at Less Cost	New Unit Cost Estimates Are Reasonable	Management Structure Adequate to Manage and Control Unit Costs		
OSD OPR	PA&E w / OIPT Coord	PA&E w/ OIPT Coord	CAIG	AR&A	DP	IP
<u>Component A</u> Program X	LOW	LOW	LOW	LOW	LOW	MED
<u>Component B</u> Program Y	MED	HIGH	HIGH	LOW	LOW	MED
Component	LOW	LOW	HIGH	HIGH	LOW	LOW

EVM Paragraph in ADMs

- **Within 30 days of ADM and each month after, provide following to the Director for Acquisition Resources and Analysis (D,AR&A)**
 - ◆ **The latest EVM information**
 - ◆ **Same detailed EVM analysis explaining top level trends that is prepared for the Program Manager**
- **Service may submit this information in the same format that it already uses as part of its ongoing oversight of the program**

EVM Data to USD(AT&L)

- **Program Manager (PM) sends short note to USD(AT&L) on PM's assessment of EVM data and performance**
- **Service Acquisition Executive, or ASA(IE&E) in case of Chem Demil program, provides D,AR&A an assessment of the PM's data.**
- **D, AR&A provides an assessment of the PM's data to the USD(AT&L).**
- **Based on the AR&A assessment of EVM data, D, AR&A will make a recommendation on whether a PM should provide a briefing to the USD(AT&L).**

Controlling Cost Growth: Nunn-McCurdy

- **Restoring credibility of DoD cost estimates is a key goal**
 - ◆ Nunn-McCurdy certification issues take on new significance
- **Nunn-McCurdy programs have significant cost problems**
 - ◆ Certification begins with review of actual costs (i.e., CCDRs)
 - ◆ Key question: **“What caused growth?”**
 - ◆ Particular emphasis placed on *where* and *why* cost estimates failed; **what issues did we fail to address?**
- **Actual cost information forms basis for new cost estimate to certify program (i.e., CCDRs)**

Information on actual costs is absolutely essential